

2020/21



# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



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## **PART 1 – ANNUAL BUDGET**

### **1.1 EXECUTIVE MAYOR’S REPORT**

In pursue of our commitment to ensure that together we continue to build a better community in eMkhondo, we as the Municipality plan to step up efforts to create sustainable economic growth and development opportunities for the youth, people with disabilities and women. We intend to use the resources we have at our disposal to strengthen the economic activities such as agricultural value chain which will benefit existing and emerging farmers through cooperatives.

As the Council, we observe and acknowledge that the current financial position of the municipality is still under pressure. Despite these challenges, we are optimistic that the budget we put together is realistic under the circumstances. The Municipality has put measures in place to encourage, motivate and educate members of the community about the importance of paying for the services they receive from the municipality.

Madam Speaker, we understand that ours is a government founded on the will of the people. Mkhondo municipality has rollout a series of projects to the entire Mkhondo community which includes the following projects in order to speed up service delivery demands: Construction of Driefontein to Iswepe and Haartebeesfontein water bulkline; Construction of main access road in Sanbank, Upgrading of gravel to paving road in Group10 (Ext.7); Construction of water bulkline and reticulation in Dr.Pols and Construction of Multi-Purpose Community Hall in Harmony Park.

The municipality continues to make sites available to our local communities for human settlement providing people of Mkhondo. Madam Speaker it is important to point out that at Ward 14, there is electrification projects continuing and the paving road for the residence of Thembalabasha. We have over 200 hundred units of RDPS houses currently in occupation and development of residential is booming in the area. Although we are proud of what has been done, we believe that we still have to do much more in providing sites for new development and human settlement along N2 towards Pongola (emahashini).

However, the Council will be vigilant when exercising its oversight in order to keep its fiscal discipline intact. Using our existing public participation and communication platforms, we intend to discharge the responsibilities and the mandate that the electorate entrusted on us. We are doing this being conscious that accounting to the general public is not just a privilege we dish out, but is a constitutional right we have to fulfil to promote more active community participation in decision-making processes of the municipality.

.....  
**EXECUTIVE MAYOR**  
**CLLR VUSI MOTHIA**

## **1.2 COUNCIL RESOLUTION**

The Executive Mayor of Mkhondo Local Municipality will deliver his 2020/21 Draft Annual Budget speech in Council Chamber before and/or 30 March 2020, for Council to approve the 2020/21 Draft Annual Budget. The Council item will outline the following in terms of section 24 of the Municipal Financial Management Act;

- 2020/21 Draft Budget Report
- 2020/21 Draft tariffs Schedule
- 2020/21 Reviewed Budget Related Policies

## **1.3 EXECUTIVE SUMMARY**

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 98 & 99 was consulted to guide the compilation of the 2020/21 MTREF

**The main challenges experienced during the compilation of the budget 2020/21 can be summarized as follows;**

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity purchase (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships and backlogs for providing sites which will in turn will require basic services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

**The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:**

- The 2019/20 Adjustment Budget priorities and targets, as well as the base line allocations were adopted as future growth and a top up developments into the upcoming 2020/21 annual budget;
- The overall impact on the budget will not be accelerated that high due to low cash flow volumes and continued revenue challenges.
- The approach for 2020/21 budget year is to allow revenue to be projected at CPI of 4.5% growth this will work towards the cost-reflective tariffs and the drive towards funded budgets.

- The current operational expenditure far supersedes the available cash flow therefore the baseline of adjustment budget will be opening balances and only employee related cost will be increased by 6.24% .
- Tariffs and property rates increases should be affordable and currently the municipality is proposing to increase tariffs upto 4.5% above inflation in order to cover the fundability of the budget. The rural and semi-urban areas will be charged upto R150 per month per household on access to clean water using household and communal taps.

**Recommendations and Comments from other stakeholders including provincial treasury in terms of section 22 of the MFMA on 2020/21 Draft Budget were follows;**

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a final budget to, amongst others, the Provincial Treasury immediately after tabling the final budget in Council. In turn, the Provincial Treasury must provide views and comments on the final budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The final budget engagement with PT had the following comments and recommendations for the Municipality to take note;

- The projections of the Revenue Enhancement Collection strategy should be documented and ease for statistical reporting in terms of Debt book.
- Data cleansing close up report and its recommendations
- Long-term Asset Renewal plan for Repairs and maintenance of infrastructure
- Forestry in terms of the progress on identifying biological assets and its value
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- Debt impairment and depreciation be budgeted in full, however, in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

#### **1.4 Operating Revenue Framework**

Total operating revenue for 2020/21 financial year is R666, 3million, when compared to the 2019/20 Adjustment Budget of R627, 3million. For the two outer years, operational revenue will increase by 5 per cent respectively.

Total operating expenditure for the 2020/21 financial year has been appropriated at R769million which is funded through revenue collection from services, equitable share and other grants. When compared to

the 2019/20 Adjustments Budget, the total operational expenditure was R613million which has grown by 20 per cent in the 2020/21 budget and by 4.6 per cent for each of the respective outer years of the MTREF.

The 2020/21 total capital budget of R173, 7million which is funded through capital grants of MIG, WSIG, RBIG and INEP towards various infrastructure projects. An amount of R18million is set aside for own acquisition of assets to effectively assist in the basic service delivery. The national government calls for all municipalities to start generating substantial revenues to alleviate grant dependency on capital infrastructure as well as renewal of existing assets

#### **1.4.1 Municipal Tariffs**

##### **1.4.1.1 Property Rates**

Mkhondo municipality has implemented a current valuation roll and it has been updated effectively to be implemented as from 01 July 2019. The new valuation roll has brought an upward change in revenue estimates as more properties are now included in the property valuation roll to generate more revenue as well as to cover the cost of providing other general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.98 & 99 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 20:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 4.5 per cent property rate tariffs increase for 2020/21 financial year will see a revenue projection of R69, 8million as compared to the R66, 8million in 2019/20 adjustment. The reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R43 000 to it to bring the value to R58 000 which will be exempted from rates. Rebates for residential will be 20%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2020/21 financial year based on a 4.5 per cent increase from 1 July 2020 is contained below:

**Table1 - Comparison of proposed rates to levied for the 2020/21 financial year**

<b>Category</b>	<b>Current tariffs (2019/20)</b>	<b>Draft tariffs (2020/21) (4.5%)</b>
Residential	R0.011155	R0.011657
Business/Industrial	R0.011560	R0.012080
Agriculture	R0.002789	R0.002914
State owned	R0.0011560	R0.012080
Psi	R0.002789	R0.002914
Vacant	R0.020098	R0.021002
Pbo	R0.002799	R0.002925

**1.4.1.2 Sale of Electricity and impact of tariffs increase**

We have applied to NERSA 6.24 per cent on the municipal electricity tariff for 2020/21 annual budget compilation. Mkhondo Local Municipality will be charging the NERSA approved final tariff as per the approval letter expected in March 2020 for all electricity sales and consumptions. The municipality is urged by NERSA to conduct a cost of supply for all tariffs charged and reduction of losses, this will be in addition to measures in place to reduce the distribution losses both technical and non-technical energy losses. The tariffs will be effective in the new financial billing starting on the 01<sup>st</sup> July 2020.

**Table2 - Inclining Block Tariffs (IBT) – Residential**

<b>Prepaid</b>	<b>2019/20 (c/kwh)</b>	<b>2020/21 (c/kwh) 6.24%</b>	<b>Increase c/kwh</b>
Block1 (0 – 50kwh)	1.0338	1.0983	0.0645
Block2 (51 – 350kwh)	1.3247	1.4074	0.0827
Block3 (351 – 600kwh)	1.8141	1.9273	0.1132
Block4 (600kwh > )	2.2019	2.3393	0.1374
<b>Basic Charge</b>	<b>118.6400</b>	<b>126.0478</b>	<b>7.4078</b>

<b>Conventional</b>	<b>2019/20 (c/kwh)</b>	<b>2020/21 (c/kwh) 6.24%</b>	<b>Increase c/kwh</b>
Block1 (0 – 50kwh)	0.9539	1.0134	5.4000
Block2 (51 – 350kwh)	1.2321	1.3090	6.9800
Block3 (351 – 600kwh)	1.7752	1.8860	10.0500
Block4 (600kwh > )	2.1196	2.2519	12.0000
<b>Basic Charge</b>	<b>118.6400</b>	<b>126.0478</b>	<b>6.7200</b>

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2020/21 financial year.

**The tariff increase is divided into two categories mainly;**

- Repair and Maintenance and other general services - 4.5%
- Electricity Consumption KWh - 6.24% **(Non-residential – IBT only)**
- Bulk Purchases (Eskom) - 8.1%



**1.4.1.3 Sales of Water and Impact of tariff increase**

South Africa has faced one of the worst droughts in decades and a call for water preservations were a call to each and every south African to utilize water sparingly and the worst hit were agricultural sector and communities in terms of water supply. Some municipal areas were declared as disaster areas seeking water supply through tinkering services and other non-profit organizations offering a support. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansions;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R20.33 each month for every vacant stand excluding Council properties.

**Table 3 - Comparison between current water charges and increases (Domestic)**

Monthly Consumption kℓ	Current tariffs 2019/20	Draft tariffs 2020/21	Difference (Increase)	Percentage Change
0 -6 (Free Basic Water)	R 4.38	R 4.58	R 0.20	4.50%
7 – 20	R 5.44	R 5.68	R 0.24	4.50%
21 – 40	R 7.71	R 8.06	R 0.35	4.50%
41 – 60	R 10.18	R 10.64	R 0.46	4.50%
61 - above	R 10.75	R 11.23	R 0.48	4.50%

The free basic water will be provided to only register indigent households and no longer to all residents even to those that can afford to pay for water usage, and it will be upto a maximum of 6kℓ.

By-laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

**1.4.1.4 Sanitation and Impact of tariffs increase**

Tariff increase of 4.5% for sanitation has been approved as from 01 July 2020. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kl water will be applicable to registered indigents
- New sewer connection fees will be split into town/urban and townships

**Table 4 - Comparison between current sanitation charges and increases**

Classification Monthly	Current tariffs 2019/20	Draft tariffs 2020/21	Difference (Increase)	Percentage Change
Basic charge	R 62.87	R 65.70	R 2.83	4.50%
Stand – 1 <sup>st</sup> toilet	R 44.94	R 46.96	R 2.02	4.50%
Consecutive toilet	R 42.00	R 43.89	R 1.89	4.50%

#### 1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 4.5% tariff on all categories of in terms of their classifications and waste bins.

**Table 5 - Comparison between current Refuse removal charges and increases**

Classification Monthly	Current tariffs 2019/20	Draft tariffs 2020/21	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R 61.08	R 63.83	R 2.75	4.50%
From all other premises, per user	R 154.45	R 161.40	R 6.95	4.50%
If two users jointly make use of a bulk refuse container, per user	R 161.60	R 168.87	R 7.27	4.50%
Bulk refuse container per individual user.	R 648.17	R 677.34	R 29.17	4.50%
Additional Waste - Landfill site per Ton	R 39.50	R 41.28	R 1.78	4.50%

### 1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The new Salary and Wage Collective Agreement will be effective as from the 01 July 2020.
- Funded budget model to ensure that approved budgets are fully funded and cash sustainable to achieve the priorities as set out in the IDP. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and

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- Strict adherence to the principle of *no project plans into approved IDP, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

**Table 6 - MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>											
Property rates	2	40,351	39,807	43,660	49,495	66,795	66,795	66,795	69,801	73,012	76,370
Service charges - electricity revenue	2	121,224	107,887	125,406	156,981	161,981	161,981	161,981	169,270	177,057	185,201
Service charges - water revenue	2	23,561	19,989	22,757	26,343	28,843	28,843	28,843	30,141	31,527	32,978
Service charges - sanitation revenue	2	9,153	9,440	9,873	17,866	20,366	20,366	20,366	21,282	22,261	23,285
Service charges - refuse revenue	2	9,989	10,745	11,369	11,975	14,975	14,975	14,975	15,649	16,369	17,122
Rental of facilities and equipment	751	1,142	1,237	2,457	3,100	3,100	3,100	3,100	3,239	3,388	3,544
Interest earned - external investments	442	1,143	534	1,797	797	797	797	797	832	871	911
Interest earned - outstanding debtors	16,157	20,044	25,371	16,447	33,447	33,447	33,447	33,447	34,952	36,560	38,242
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	3,017	2,428	19,545	1,044	2,244	2,244	2,244	2,244	2,345	2,453	2,566
Licences and permits	116	102	108	113	133	133	133	133	139	145	152
Agency services	12,155	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	171,606	192,107	214,509	244,129	244,129	244,129	244,129	244,129	265,880	288,187	311,560
Other revenue	2	24,664	28,446	51,781	39,252	44,054	44,054	44,054	46,049	48,167	50,383
Gains	33,838	1,686	3,287	-	6,500	6,500	6,500	6,500	6,793	7,105	7,432
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>467,025</b>	<b>434,966</b>	<b>529,438</b>	<b>567,898</b>	<b>627,363</b>	<b>627,363</b>	<b>627,363</b>	<b>666,372</b>	<b>707,102</b>	<b>749,745</b>
<b>Expenditure By Type</b>	-										
Employee related costs	2	148,774	162,048	173,454	186,258	188,811	188,811	188,811	199,074	213,084	228,032
Remuneration of councillors	12,039	13,953	15,052	16,913	17,947	17,947	17,947	17,947	18,755	19,617,441	20,559
Debt impairment	3	62,363	65,278	81,820	28,172	81,820	81,820	81,820	84,000	87,864	91,906
Depreciation & asset impairment	2	202,026	202,624	137,039	76,854	137,039	137,039	137,039	141,143	147,635	154,722
Finance charges	9,476	14,656	18,318	7,634	9,000	9,000	9,000	9,000	9,405	9,838	10,310
Bulk purchases	2	115,583	122,429	129,753	148,814	165,590	165,590	165,590	165,000	172,590	180,874
Other materials	8	25,240	29,293	9,219	14,699	14,319	14,319	14,699	14,565	15,244	15,976
Contracted services	37,340	46,559	113,375	50,049	48,749	48,749	48,749	48,749	51,556	53,928	56,516

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Transfers and subsidies	4,	6,676	5,473	3,473	0	11,172	11,172	12,284	11,835	10,651	11,347
Other expenditure	5	65,593	91,627	85,154	57,032	69,873	69,873	69,873	73,701	77,094	80,857
Losses		1,120	–								
<b>Total Expenditure</b>		<b>686,231</b>	<b>753,940</b>	<b>766,657</b>	<b>586,426</b>	<b>744,321</b>	<b>744,321</b>	<b>745,813</b>	<b>769,034</b>	<b>807,545</b>	<b>851,098</b>
<b>Surplus/(Deficit)</b>		<b>(219,206)</b>	<b>(318,974)</b>	<b>(237,220)</b>	<b>(18,529)</b>	<b>(116,958)</b>	<b>(116,958)</b>	<b>(118,450)</b>	<b>(102,662)</b>	<b>(100,443)</b>	<b>(101,353)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		78,481	136,996	138,954	118,420	118,419	118,419	118,419	155,357	220,399	286,632
Transfers and subsidies - capital (in-kind - all)		–	29,141	–		29,439	29,439				
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>
Taxation				–							
<b>Surplus/(Deficit) after taxation</b>		<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>
Attributable to minorities				–							
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>
Share of surplus/ (deficit) of associate	7			–							
<b>Surplus/(Deficit) for the year</b>		<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>

The budget allocation for employee related cost for the 2020/21 financial year totals to R199, 1million, which equals 37 per cent of the total operating expenditure. Based on the outcome of the new salary and wage collective agreement the final budget will have the increments as approved by SALGBC for now employee related cost will be 6.25%.

No filling of new vacancies will be budgeted on the 2020/21 Opex budget, the vacancies will be filled are those that were budgeted and employees have either deceased or resigned from those positions. The department heads are strictly reminded to control and manage their departmental employee costs particularly on overtime, standby and shift allowances.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2020/21 grant allocation as gazetted for remuneration of councillors has an amount of R18, 5million for councilors' remuneration as well as the stipend for the ward councilor's which has been considered during the compilation of the 2020/21 draft annual budget.

Finance charges consist primarily of the repayment of interest on outstanding debt of Eskom. The municipality will be settling the DBSA loan and management can consider infrastructure loan through normal processes of the National Treasury.

Bulk purchases of R165 million are largely informed by the purchase of bulk electricity and the raw water extractions from DWA.

Other material comprises of amongst others the purchase of fuel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance

plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

### 1.5.1 Free Basic Services: Basic Social Services Package

The Mkhondo Local Municipality will continue to register indigents for the entire Mkhondo area particularly those areas where billing is taking takes place. The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. Recognizing that the number of registered indigent is still low, the target is to register additional 25 per cent or more indigent households during the 2020/21 financial year, a process to be reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 7 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification**

Vote Description R thousand	Ref 1	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		5,363	2,766	15,228	1,500	3,200	3,200	3,200	6,125	3,830	4,360
Executive and council		764									
Finance and administration		4,599	2,766	15,228	1,500	3,200	3,200	3,200	6,125	3,830	4,360
Internal audit											
<b>Community and public safety</b>		2,666	10,653	5,229	8,134	5,483	5,483	5,483	12,395	15,000	16,000
Community and social services		2,648	10,653	1,928	1,928	3,920	3,920	3,920	10,000	15,000	16,000
Sport and recreation				3,302	6,206	1,563	1,563	1,563	–	–	–
Public safety	9								2,395		
Housing	9										
Health											
<b>Economic and environmental services</b>		20,520	41,659	15,679	39,318	16,147	16,147	16,147	32,637	32,374	34,019
Planning and development											
Road transport		20,520	41,659	15,679	39,318	16,147	16,147	16,147	32,637	32,374	34,019
Environmental protection											
<b>Trading services</b>		52,199	66,616	97,430	72,724	123,028	123,028	123,028	122,062	173,025	236,613
Energy sources		9,010	453	10,106	13,380	38,239	38,239	38,239	15,440	20,000	20,048
Water management		36,336	30,245	46,274	17,844	44,564	44,564	44,564	64,250	105,735	167,125
Waste water management		6,728	35,918	41,050	41,500	40,225	40,225	40,225	42,280	47,290	49,440

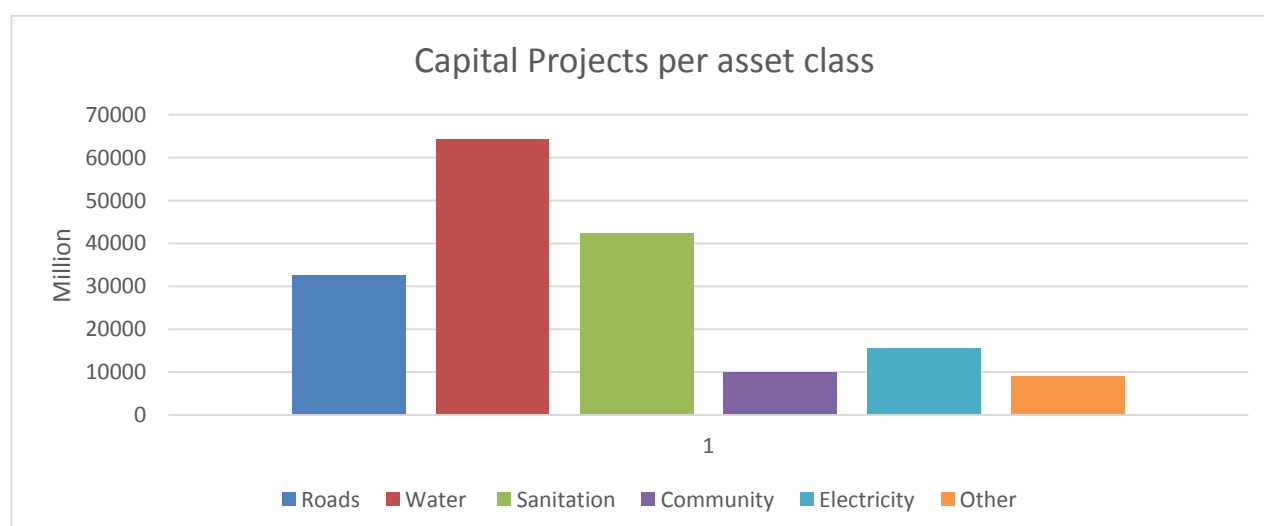
## MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

Waste management		125							92	–	–
<b>Other</b>			416						520	–	–
<b>Total Capital Expenditure - Functional</b>	3	80,749	122,110	133,566	121,676	147,858	147,858	147,858	173,739	224,229	290,992
<b>Funded by:</b>											
National Government		71,534	121,693	116,928	118,326	118,419	118,419	118,419	155,357	220,399	286,632
Provincial Government											
District Municipality											
<b>Transfers recognised - capital</b>	4	71,534	121,693	116,928	118,326	118,419	118,419	118,419	155,357	220,399	286,632
<b>Borrowing</b>	6										
<b>Internally generated funds</b>		9,215	416	16,638	3,350	29,439	29,439	29,439	18,382	3,830	4,360
<b>Total Capital Funding</b>	7	80,749	122,110	133,566	121,676	147,858	147,858	147,858	173,739	224,229	290,992

For 2020/21 an amount of R173, 8million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The capital infrastructure budget allocation on water and sanitation provision of R64, 3million which equates to 42 per cent will address water backlogs that the municipality is currently facing in rural and urban areas. Electrification projects will amount to R15, 4 million from INEP for upgrading main sub-station. While Water Services Infrastructure Grant (WSIG) and Regional Bulk Infrastructure Grant (RBIG) of R26million and R40million respectively.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

**Figure 1 Capital Expenditure Programme**



The capital expenditure bar charts illustrate that the large portion of the capital spending will be geared towards water and sanitation projects of R106 million in rural and urban areas. Roads capital budget includes a construction and rehabilitation of access roads.

## 1.7 Annual Budget Tables

Table 8 - MP303 Mkhondo - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Financial Performance</b>										
Property rates	40,351	39,807	43,660	49,495	66,795	66,795	66,795	69,801	73,012	76,370
Service charges	163,927	148,061	169,404	213,165	226,165	226,165	226,165	236,342	247,214	258,586
Investment revenue	442	1,143	534	1,797	797	797	797	832	871	911
Transfers recognised - operational	171,606	192,107	214,509	244,129	244,129	244,129	244,129	265,880	288,187	311,560
Other own revenue	90,699	53,848	101,330	59,313	89,478	89,478	89,478	93,517	97,819	102,318
<b>Total Revenue (excluding capital transfers and contributions)</b>	467,025	434,966	529,438	567,898	627,363	627,363	627,363	666,372	707,102	749,745
Employee costs	148,774	162,048	173,454	186,258	188,811	188,811	188,811	199,074	213,084	228,032
Remuneration of councillors	12,039	13,953	15,052	16,913	17,947	17,947	17,947	18,755	19,617	20,559
Depreciation & asset impairment	202,026	202,624	137,039	76,854	137,039	137,039	137,039	141,143	147,635	154,722
Finance charges	9,476	14,656	18,318	7,634	9,000	9,000	9,000	9,405	9,838	10,310
Materials and bulk purchases	140,824	151,721	138,972	163,513	179,909	179,909	180,289	179,565	187,834	196,851
Transfers and grants	–	–	3,473	0	11,172	11,172	12,284	11,835	10,651	11,347
Other expenditure	166,416	203,464	280,349	135,253	200,442	200,442	200,442	209,257	218,885	229,279
<b>Total Expenditure</b>	679,555	748,466	766,657	586,426	744,321	744,321	745,813	769,034	807,545	851,098
<b>Surplus/(Deficit)</b>	(212,530)	(313,501)	(237,220)	(18,529)	(116,958)	(116,958)	(118,450)	(102,662)	(100,443)	(101,353)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	78,481	136,996	138,954	118,420	118,419	118,419	118,419	155,357	220,399	286,632
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	29,141	–	–	29,439	29,439	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(134,049)	(147,363)	(98,266)	99,891	30,900	30,900	(31)	52,694	119,957	185,278
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	(134,049)	(147,363)	(98,266)	99,891	30,900	30,900	(31)	52,694	119,957	185,278
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	167	138,226	133,566	121,676	147,858	147,858	147,858	173,739	224,229	290,992
Transfers recognised - capital	–	144,755	116,928	118,326	118,419	118,419	118,419	155,357	220,399	286,632

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	16,638	3,350	29,439	29,439	29,439	18,382	3,830	4,360
<b>Total sources of capital funds</b>	-	144,755	133,566	121,676	147,858	147,858	147,858	173,739	224,229	290,992
<b>Financial position</b>										
Total current assets	<b>51,718</b>	63,465	65,074	59,981	57,838	57,838	57,838	65,032	84,116	104,060
Total non current assets	<b>1,738,340</b>	1,654,189	1,677,459	1,785,191	1,763,051	1,763,051	1,763,051	1,677,459	1,752,945	1,831,827
Total current liabilities	<b>224,789</b>	297,209	335,402	43,269	43,269	43,269	43,269	61,159	63,912	66,788
Total non current liabilities	<b>35,108</b>	43,120	53,871	64,941	-	-	-	-	-	-
Community wealth/Equity	<b>1,530,161</b>	1,377,325	1,353,260	1,736,963	1,777,620	1,777,620	1,777,620	1,681,332	1,773,150	1,869,099
<b>Cash flows</b>										
Net cash from (used) operating	<b>67,389</b>	112,267	124,817	146,660	137,742	146,882	146,882	194,617	203,375	212,527
Net cash from (used) investing	<b>(76,469)</b>	(120,323)	(127,449)	(144,720)	(141,887)	(141,887)	(141,887)	(148,564)	(155,249)	(162,236)
Net cash from (used) financing	<b>6,554</b>	10,000	5,000	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>1,500</b>	3,444	5,812	7,753	1,668	10,808	10,808	51,865	99,991	150,282
<b>Cash backing/surplus reconciliation</b>			0-30 Days							
Cash and investments available	<b>1,537</b>	3,444		76,575	-	-	-	5,812	6,074	6,347
Application of cash and investments	<b>178,447</b>	248,768	34,024	(7,293)	4,471	4,471	4,471	(2,165)	(13,794)	(25,923)
<b>Balance - surplus (shortfall)</b>	<b>(176,910)</b>	(245,324)		83,868	(4,471)	(4,471)	(4,471)	7,977	19,868	32,270
			58							
<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	72,512	137,039	137,039	137,039	80,850	85,055	-
Renewal and Upgrading of Existing Assets	-	3,185	-	28,237	-	-	-	-	-	-
Repairs and Maintenance	-	13,050	-	28,565	14,319	14,319	14,319	33,746	31,562	-
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	3	3	3	3	4,105	4,105	4,485	4,853
Revenue cost of free services provided	<b>58</b>	58	50	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	-	-	2	2	2	2	2	2	2	2
Sanitation/sewerage:	-	-	19	19	19	19	20	20	21	22
Energy:	-	-	37	37	37	37	38	38	40	42
Refuse:	-	-	61	61	61	61	64	64	67	70



## **PART 2 – Supporting Documentation**

### **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

#### **2.1.1 The primary aim of the Budget Steering Committee is to ensure:**

- that the process followed to compile the budget complies with legislation and good budget practices;
- That we conduct a cost of supply exercise in order to correct the tariffs and distribution losses in order to demonstrate our efforts in achieving cost-reflective tariffs on major trading services.
- That we establish a revenue turnaround committee that will consists of temps and other technical teams for meter audit, replacement and data cleansing for improved data on billing.
- That the cost of water provision is escalating and the municipality is reviewing free basic water to all but only limited to registered indigents.
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2019) a time schedule that sets out the process to revise the IDP and prepare the budget.

### **2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities**

In reviewing the last 5-year IDP, a process plan was developed and adopted by Council. It started in September 2019 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2020/21 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that ‘each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

**2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:**

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

**2.3 IDP and Budget Consultative Community Participation**

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2017-2021 Integrated Development Planning process. The public consultation process was again conducted during November 2019 for the Final IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

**Table 9 - Feedback Summary from community needs relating to municipal competencies**

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	-	X	-	-	-	X	-	X	X	-	X	-	X	-	-	-	X	X	X
2	SANITATION	-	X	-	-	X	X	-	X	X	-	X	-	X	X	-	X	X	-	X
3	ELECTRICITY (Streetlights/Apollo)	X	X	-	-	X	X	-	X	X	X	-	X	X	X	-	-	X	X	X
4	REFUSE REMOVAL	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-
5	RDP/LAND/SITES	X	X	-	-	X	-	-	X	X	X	X	X	X	X	-	X	X	X	X
6	EDUCATION,SCHOOLS	-	X	-	-	X	-	-	X	-	-	X	X	X	X	-	X	-	-	X
7	HEALTHCARE,CLINICS	X	X	-	-	-	X	-	X	X	-	-	-	-	-	-	-	X	-	-
8	SOCIAL CARE	-	X	-	-	X	X	-	X	X	X	-	X	-	X	-	X	X	X	X
9	ROADS	X	X	-	-	-	X	-	X	-	X	X	X	-	X	-	-	X	-	X
10	JOB OPPORTUNITIES	-	X	-	-	-	-	-	-	X	-	X	-	X	-	-	X	X	X	X
11	SHOPPING CENTRE	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	TOTAL	4	10	0	0	5	6	0	7	7	4	6	5	6	6	0	5	8	5	8

The above table is a summary of the needs as identified in different ward through their ward meetings. The details of the actual needs are contained in the minutes of different ward meetings. The “X” in the illustrative table represents the needs as identified by the communities in their respective wards. The “-” does not mean no services exists but there’s

services within that ward but there's still some villages or areas which need those services. Reference of such villages/ areas is made in the minutes of the community participation which is available on request.

## **2.4 Overview of alignment of annual budget with IDP**

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the Strategic development priorities of the municipality, which are namely:

- LED (Township economic establishment) upliftment of township economy
- Future development planning (Master plans)
- Improve delivery on basic services (Water, roads, electricity, waste and sanitation)
- Revenue enhancement
- Youth skills and business development
- Enhance good governance (Public participation)
- Performance Management to be cascaded to the lower level
- Assets management (fleet and property maintenance plan).
- Clean audit
- Improve Blue drop & Green drop
- Promulgation and enforcement of by- laws

**Table 10 - MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)**

and Budget (Operating Expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand												
Governance and administration				404,914	473,134	410,941	225,918	310,512	310,512	324,645	341,736	360,086
Community and public safety				45,890	51,273	47,269	33,183	49,787	49,787	52,903	56,154	59,651
Economic and environmental services				30,462	27,391	36,095	98,342	115,868	115,868	115,901	119,722	125,864
Trading services				187,648	197,757	244,849	238,752	249,254	249,254	254,558	267,800	282,166
Other				17,318	4,385	27,503	32,115	19,993	19,993	21,027	22,133	23,330
Allocations to other priorities												
Total Expenditure			1	686,231	753,940	766,657	628,309	745,415	745,415	769,034	807,545	851,098

**Table 11 IDP Strategic Development Priorities and Objectives**

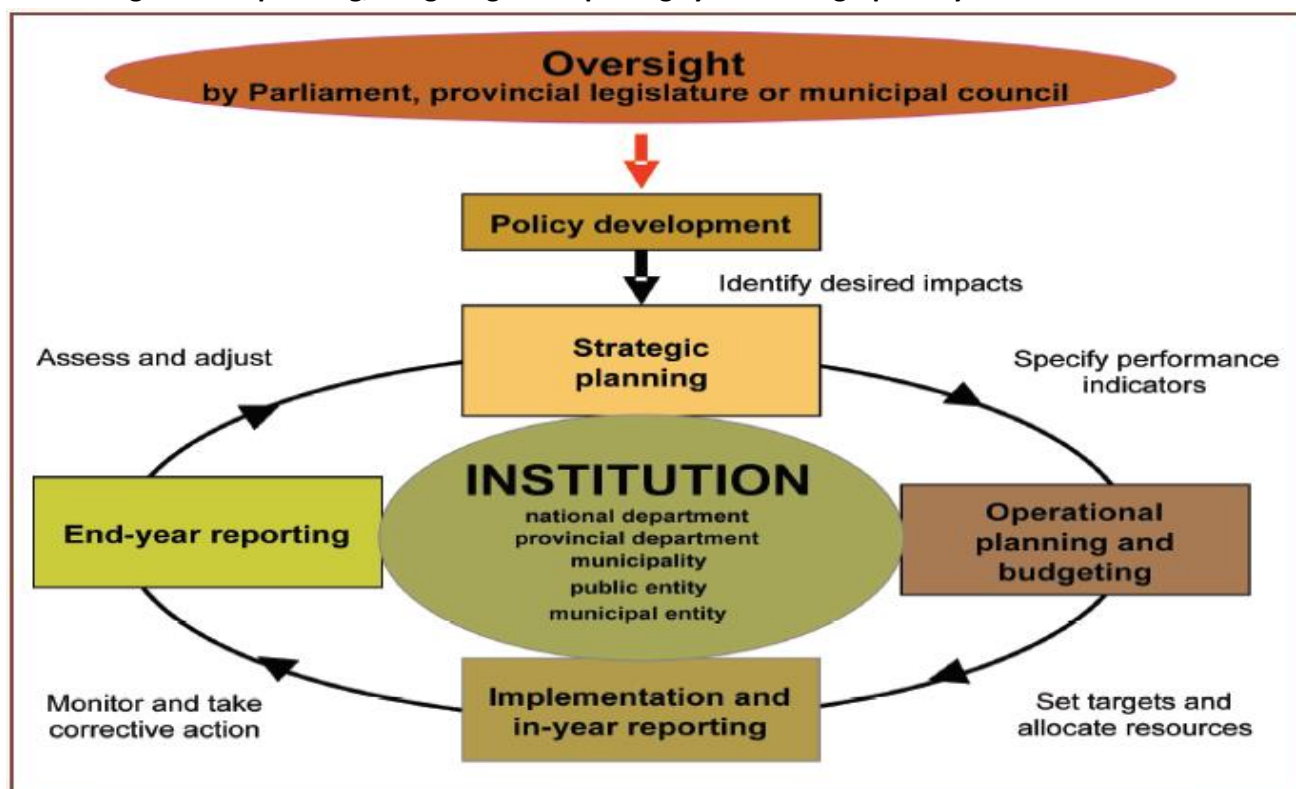
PRIORITIES	GOALS	OBJECTIVES
<ul style="list-style-type: none"> <li>• LED(Township economic establishment) Upliftment of township economy</li> <li>• Future development planning (Master plans)</li> <li>• Improve delivery on basic services(Water, roads, electricity, waste and sanitation)</li> <li>• Revenue enhancement</li> <li>• Youth skills and business development</li> <li>• Enhance good governance (Public participation)</li> <li>• Performance Management to be cascaded to the lower level</li> <li>• Assets management (fleet and property maintenance plan).</li> <li>• Clean audit</li> <li>• Improve Blue drop &amp; Green drop</li> <li>• Promulgation and enforcement of by- laws</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable service delivery</li> <li>• Economic development and employment.</li> <li>• Clean audit</li> <li>• Financial viability</li> </ul>	<ul style="list-style-type: none"> <li>• To provide access to basic services (water 100%, electricity 100%, Sanitation 100% and refuse removal 75%)</li> <li>• To establish six integrated township</li> <li>• To promote economic growth by 5%</li> <li>• To reduce unemployment by 5%</li> <li>• To increase revenue collection by 85%</li> <li>• To conduct 20 public participation programmes</li> <li>• To reduce irregular expenditure to 0%</li> <li>• To develop and update assets register</li> </ul>

## 2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and implementing a performance management system wherein top management have signed performance agreements with the Municipal manager and the Executive Mayor.

Mkhondo Local Municipality has also established a Performance Management unit as well as the performance management committee which is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organizational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

## 2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Investment policy

- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy

## **2.7 Overview of Budget assumptions**

### **2.7.1 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

### **2.7.2 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (75 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

### **2.7.3 Salary increase**

The collective agreement for new salary and wage is 6.24% with SALGBC, an estimated growth in employee related cost is budgeted for 2020/21 financial year, notwithstanding the NT circular no.99 in terms of the guidelines.

## **2.8 Overview of Capital Budget Funding Sources**

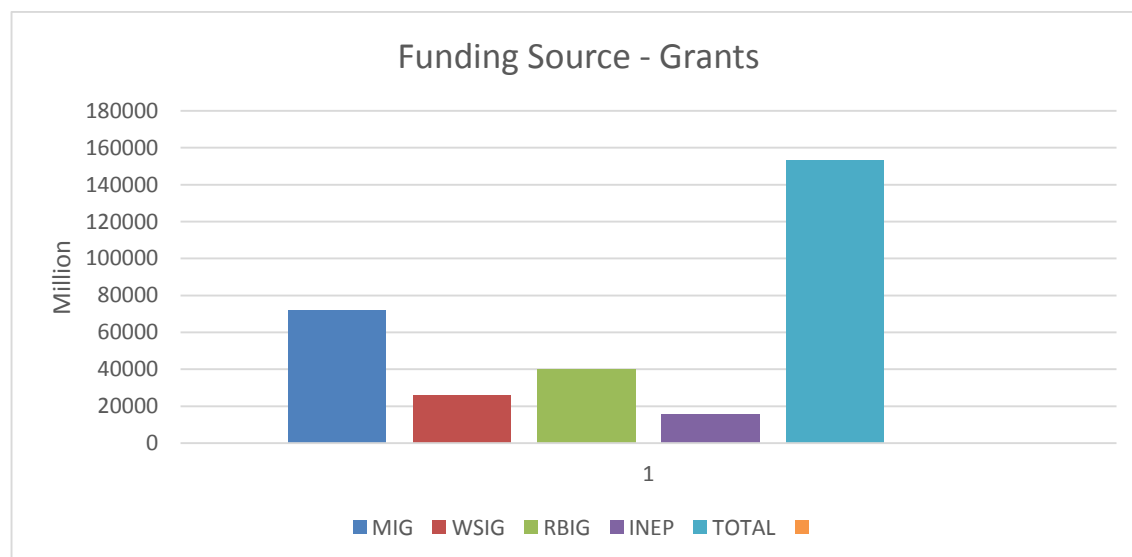
### **2.8.1 Medium – term outlook: Capital Revenue**

The following table is a breakdown of the funding composition of the 2020/21 Medium-term capital programme:

**Table 12 - Sources of Capital revenue over the MTREF**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funded by:</b>											
National Government		71,534	121,693	116,928	118,326	118,419	118,419	118,419	155,357	220,399	286,632
Provincial Government											
District Municipality											
<b>Transfers recognised - capital</b>	4	71,534	121,693	116,928	118,326	118,419	118,419	118,419	155,357	220,399	286,632
<b>Borrowing</b>	6										
<b>Internally generated funds</b>		9,215	416	16,638	3,350	29,439	29,439	29,439	18,382	3,830	4,360
<b>Total Capital Funding</b>	7	80,749	122,110	133,566	121,676	147,858	147,858	147,858	173,739	224,229	290,992

**Figure 3 Sources of capital revenue for the 2020/21 financial year**



Capital grants and receipts equates to 77 per cent of MIG and the INEP equates to 8 per cent present and 15 per cent for WSIG to a total of R100, 2million. The municipality is still grant dependent particularly on infrastructure projects no ability to raise own capital funding for internal projects.

## 2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 13 - MP303 Mkhondo  
Supporting Table SA10 Funding  
measurement**

Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funding measures</b>	–	–										
Cash/cash equivalents at the year end - R'000	18(1)b	1	1,500	3,444	(2,631)	7,753	1,668	10,808	10,808	51,865	99,991	150,282
Cash + investments at the yr end less applications - R'000	18(1)b	2	35,586	36,715	(281,621)	83,868	(4,471)	(4,471)	(4,471)	7,977	19,868	32,270
Cash year end/monthly employee/supplier payments	18(1)b	3	0.0	0.1	(0.1)	0.2	0.0	0.2	0.2	1.1	2.0	2.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(140,724)	(152,836)	(98,266)	99,891	30,900	30,900	(31)	52,694	119,957	185,278
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(14.0%)	7.4%	17.3%	5.5%	(6.0%)	(6.0%)	(1.5%)	(1.4%)	(1.4%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	79.9%	71.0%	83.7%	81.8%	74.1%	74.1%	74.1%	71.6%	71.6%	71.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	30.5%	34.7%	38.4%	10.7%	27.9%	27.9%	27.9%	27.4%	27.4%	27.4%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	42.2%	98.8%	119.5%	50.5%	50.5%	50.5%	89.4%	72.4%	58.3%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	10.0%	2.3%	(2.4%)	(4.6%)	0.0%	0.0%	7.3%	38.2%	28.9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.6%	1.9%	0.0%	1.7%	0.9%	0.9%	2.0%	2.1%	1.9%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



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<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		467,025	434,966	529,438	567,898	627,363	627,363	627,363	666,372	707,102	749,745
Total Operating Expenditure		679,555	748,466	766,657	586,426	744,321	744,321	745,813	769,034	807,545	851,098
Surplus/(Deficit) Budgeted Operating Statement		(212,530)	(313,501)	(237,220)	(18,529)	(116,958)	(116,958)	(118,450)	(102,662)	(100,443)	(101,353)
Surplus/(Deficit) Considering Reserves and Cash Backing		35,586	36,715	(281,621)	83,868	(4,471)	(4,471)	(4,471)	7,977	19,868	32,270
<b>MTREF Funded (1) / Unfunded (0)</b>	15	1	1	0	1	0	0	0	1	1	1
<b>MTREF Funded ✓ / Unfunded ✗</b>	15	✓	✓	✗	✓	✗	✗	✗	✓	✓	✓

### 2.10 Expenditure on Grants and Reconciliation of Unspent

**Table 14 - MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>EXPENDITURE:</b>	1									
<u>Operating expenditure of Transfers and Grants</u>										
<b>National Government:</b>		171,214	192,107	218,346	244,533	244,533	244,533	265,880	288,187	311,560
Local Government Equitable Share		166,349	186,451	209,448	235,268	235,268	235,268	256,568	280,313	303,305
Finance Management		1,810	2,145	2,215	2,680	2,680	2,680	3,000	3,200	3,300
EPWP Incentive		–	3,350	2,281	2,264	2,264	2,264	1,998	–	–
LGSETA		2,452	161	565	405	405	405	423	443	464
PMU Admin		603	–	3,837	3,916	3,916	3,916	3,890	4,232	4,491
		–	–	–	–	–	–	–	–	–
<b>Total operating expenditure of Transfers and Grants:</b>		171,214	192,107	218,346	244,533	244,533	244,533	265,880	288,187	311,560
<u>Capital expenditure of Transfers and Grants</u>										
<b>National Government:</b>		78,666	136,996	135,117	122,336	118,420	118,420	155,357	220,399	286,632
Municipal Infrastructure Grant (MIG)		74,666	136,996	72,898	78,336	74,420	74,420	73,917	80,399	85,144

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INEP		4,000		27,000	10,000	10,000	10,000	15,440	20,000	20,048
EEDMSG				–	4,000	4,000	4,000			
WSIG				35,219	30,000	30,000	30,000	26,000	30,000	31,440
Regional Bulk Infrastructure							–	40,000	90,000	150,000
		–					–			
<b>Total capital expenditure of Transfers and Grants</b>		<b>78,666</b>	<b>136,996</b>	<b>135,117</b>	<b>122,336</b>	<b>118,420</b>	<b>118,420</b>	<b>155,357</b>	<b>220,399</b>	<b>286,632</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>249,880</b>	<b>329,104</b>	<b>353,463</b>	<b>366,869</b>	<b>362,953</b>	<b>362,953</b>	<b>421,236</b>	<b>508,587</b>	<b>598,192</b>

**Table 15 - MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>										
<b><u>Operating transfers and grants:</u></b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		171,606	192,107	214,509	244,129	244,129	244,129	265,880	288,187	311,560
<b>Conditions met - transferred to revenue</b>		<b>171,606</b>	<b>192,107</b>	<b>214,509</b>	<b>244,129</b>	<b>244,129</b>	<b>244,129</b>	<b>265,880</b>	<b>288,187</b>	<b>311,560</b>
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		<b>171,606</b>	<b>192,107</b>	<b>214,509</b>	<b>244,129</b>	<b>244,129</b>	<b>244,129</b>	<b>265,880</b>	<b>288,187</b>	<b>311,560</b>
<b>Total operating transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b><u>Capital transfers and grants:</u></b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		71,534	121,693	116,928	118,326	118,419	118,419	155,357	220,399	286,632
<b>Conditions met - transferred to revenue</b>		<b>71,534</b>	<b>121,693</b>	<b>116,928</b>	<b>118,326</b>	<b>118,419</b>	<b>118,419</b>	<b>155,357</b>	<b>220,399</b>	<b>286,632</b>
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		<b>71,534</b>	<b>121,693</b>	<b>116,928</b>	<b>118,326</b>	<b>118,419</b>	<b>118,419</b>	<b>155,357</b>	<b>220,399</b>	<b>286,632</b>
<b>Total capital transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>243,139</b>	<b>313,801</b>	<b>331,438</b>	<b>362,455</b>	<b>362,548</b>	<b>362,548</b>	<b>421,236</b>	<b>508,587</b>	<b>598,192</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		–	–	–	–	–	–	–	–	–

**Table 16 - 2.11 Councillors and Employee Benefits**

**Table 16 - MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		650,497	91,419	210,480			952,396
Chief Whip			648,199	36,219	200,531			884,949
Executive Mayor			995,814	176,757	46,620			1,219,191
Deputy Executive Mayor								–
Executive Committee			2,040,385	161,652	443,902			2,645,939
Total for all other councillors			10,265,299	792,450	1,994,777			13,052,526
<b>Total Councillors</b>	8	–	<b>14,600,194</b>	<b>1,258,497</b>	<b>2,896,310</b>			<b>18,755,001</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			926,912	149,119	204,045	–		1,280,076
Chief Finance Officer			635,283	149,769	272,059	–		1,057,111
GM-Corporate			714,962	160,257	104,743	–		979,962
GM-Community			720,001	97,016	163,236	–		980,253
GM-Technical			850,617	138,479	68,015	–		1,057,111
GM-Planning & Development			850,617	138,479	68,015	–		1,057,111
List of each official with packages >= senior manager								
All other senior managers			12,635,286	2,600,491	2,393,856	–		17,629,633
								–
<b>Total Senior Managers of the Municipality</b>	8,10	–	<b>17,333,678</b>	<b>3,433,610</b>	<b>3,273,969</b>	–		<b>24,041,257</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	–	<b>31,933,872</b>	<b>4,692,107</b>	<b>6,170,279</b>	–		<b>42,796,258</b>

**Table 17 - MP303 Mkhondo - Supporting Table SA24  
Summary of personnel numbers**

Summary of Personnel Numbers	Ref	2018/19			Current Year 2019/20			Budget Year 2020/21		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)		38		38	38	–	38	38		38
Board Members of municipal entities	4	–	–	–		–				
<b>Municipal employees</b>	5	–	–	–						
Municipal Manager and Senior Managers	3	6	–	6	6	–	6	6	–	6
Other Managers	7	21	18	–		–	–	21	18	
Professionals		29	19	–	32	30	–	29	19	–
Finance		13	13	–	15	14		13	13	–
Spatial/town planning		1	1	–	3	2		1	1	–

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Information Technology		1	1	-	1	1		1	1	-
Roads		-	-	-		-		-	-	-
Electricity		-	-	-				-	-	-
Water		-	-	-				-	-	-
Sanitation		-	-	-				-	-	-
Refuse		-	-	-				-	-	-
Other		14	4	-	13	13		14	4	-
Technicians		7	6	-	7	4	-	7	6	-
Finance		-	-	-				-	-	-
Spatial/town planning		-	-	-				-	-	-
Information Technology		3	2	-	3	2		3	2	-
Roads		-	-	-				-	-	-
Electricity		1	1	-	1			1	1	-
Water		3	3	-	3	2		3	3	-
Sanitation		-	-	-				-	-	-
Refuse		-	-	-				-	-	-
Other		-	-	-				-	-	-
Clerks (Clerical and administrative)		71	65	-	71	66		71	65	-
Service and sales workers		55	42	-	55	48		55	42	-
Skilled agricultural and fishery workers		54	54	-	54	57		54	54	-
Craft and related trades		10	8	-	10	8		10	8	-
Plant and Machine Operators		53	31	-	53	38		53	31	-
Elementary Occupations		350	220	-	454	242		350	220	-
<b>TOTAL PERSONNEL NUMBERS</b>	9	<b>694</b>	<b>463</b>	<b>44</b>	<b>780</b>	<b>493</b>	<b>44</b>	<b>694</b>	<b>463</b>	<b>44</b>
<b>% increase</b>					12.4%	6.5%	-	(11.0%)	(6.1%)	-
<b>Total municipal employees headcount</b>	6, 10	-	-	-						
Finance personnel headcount	8, 10	-	-	-						
Human Resources personnel headcount	8, 10	11	7	-	13	10	12	11	7	-

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## 2.12 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

**Table 18 - MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Revenue By Source</u></b>	–															
Property rates		5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	5,817	69,801	73,012	76,370
Service charges - electricity revenue		14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	14,106	169,270	177,057	185,201
Service charges - water revenue		2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	30,141	31,527	32,978
Service charges - sanitation revenue		1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	21,282	22,261	23,285
Service charges - refuse revenue		1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	15,649	16,369	17,122
Rental of facilities and equipment		270	270	270	270	270	270	270	270	270	270	270	270	3,239	3,388	3,544
Interest earned - external investments		69	69	69	69	69	69	69	69	69	69	69	70	832	871	911
Interest earned - outstanding debtors		2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	2,913	34,952	36,560	38,242
Dividends received													–	–	–	–
Fines, penalties and forfeits		195	195	195	195	195	195	195	195	195	195	195	195	2,345	2,453	2,566
Licences and permits		12	12	12	12	12	12	12	12	12	12	12	12	139	145	152
Agency services													–	–	–	–
Transfers and subsidies		22,157	22,157	22,157	22,157	22,157	22,157	22,157	22,157	22,157	22,157	22,157	22,156	265,880	288,187	311,560
Other revenue		3,837	3,837	3,837	3,837	3,837	3,837	3,837	3,837	3,837	3,837	3,837	3,837	46,049	48,167	50,383
Gains		566	566	566	566	566	566	566	566	566	566	566	566	6,793	7,105	7,432
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>55,531</b>	<b>666,372</b>	<b>707,102</b>	<b>749,745</b>

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<b>Expenditure By Type</b>	-															
Employee related costs		16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	16,590	199,074	213,084	228,032
Remuneration of councillors		1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563	18,755	19,617	20,559
Debt impairment		7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000	87,864	91,906
Depreciation & asset impairment		11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	141,143	147,635	154,722
Finance charges		784	784	784	784	784	784	784	784	784	784	784	784	9,405	9,838	10,310
Bulk purchases		13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	165,000	172,590	180,874
Other materials		1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	14,565	15,244	15,976
Contracted services		4,296	4,296	4,296	4,296	4,296	4,296	4,296	4,296	4,296	4,296	4,296	4,296	51,556	53,928	56,516
Transfers and subsidies		986	986	986	986	986	986	986	986	986	986	986	987	11,835	10,651	11,347
Other expenditure		6,142	6,142	6,142	6,142	6,142	6,142	6,142	6,142	6,142	6,142	6,142	6,142	73,701	77,094	80,857
Losses													-	-	-	-
<b>Total Expenditure</b>		<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>769,034</b>	<b>807,545</b>	<b>851,098</b>
<b>Surplus/(Deficit)</b>		<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,555)</b>	<b>(8,556)</b>	<b>(102,662)</b>	<b>(100,443)</b>	<b>(101,353)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	12,946	155,357	220,399	286,632
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>52,694</b>	<b>119,957</b>	<b>185,278</b>

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

**Table 19 - MP303 Mkhondo - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Revenue by Vote</u></b>	–															
Vote 1 - EXECUTIVE COUNCIL		21,284	21,284	21,284	21,284	21,284	21,284	21,284	21,284	21,284	21,284	21,284	21,284	255,407	278,728	301,334
Vote 2 - BUDGET & TREASURY OFFICE		22,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120	265,440	335,608	407,093
Vote 3 - CORPORATE SERVICES		110	110	110	110	110	110	110	110	110	110	110	109	1,316	1,376	1,440
Vote 4 - PLANNING & DEVELOPMENT		246	246	246	246	246	246	246	246	246	246	246	245	2,946	3,081	3,223
Vote 5 - COMMUNITY SERVICES		1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	23,895	24,994	26,144
Vote 6 - TECHNICAL SERVICES		21,098	21,098	21,098	21,098	21,098	21,098	21,098	21,098	21,098	21,098	21,098	21,098	253,176	263,265	275,753
Vote 7 - AFFORESTATION		1,629	1,629	1,629	1,629	1,629	1,629	1,629	1,629	1,629	1,629	1,629	1,629	19,549	20,449	21,389
<b>Total Revenue by Vote</b>		<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>68,477</b>	<b>821,728</b>	<b>927,501</b>	<b>1,036,377</b>
<b><u>Expenditure by Vote to be appropriated</u></b>	–															
Vote 1 - EXECUTIVE COUNCIL		16,431	16,431	16,431	16,431	16,431	16,431	16,431	16,431	16,431	16,431	16,431	16,430	197,166	206,855	217,337
Vote 2 - BUDGET & TREASURY OFFICE		7,088	7,088	7,088	7,088	7,088	7,088	7,088	7,088	7,088	7,088	7,088	7,088	85,055	89,741	94,692
Vote 3 - CORPORATE SERVICES		3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,594	43,120	45,885	48,854
Vote 4 - PLANNING & DEVELOPMENT		7,410	7,410	7,410	7,410	7,410	7,410	7,410	7,410	7,410	7,410	7,410	7,410	88,917	93,094	97,586
Vote 5 - COMMUNITY SERVICES		5,969	5,969	5,969	5,969	5,969	5,969	5,969	5,969	5,969	5,969	5,969	5,970	71,633	76,094	80,890
Vote 6 - TECHNICAL SERVICES		21,843	21,843	21,843	21,843	21,843	21,843	21,843	21,843	21,843	21,843	21,843	21,843	262,116	273,744	288,399
Vote 7 - AFFORESTATION		1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	21,027	22,133	23,330
<b>Total Expenditure by Vote</b>		<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>64,086</b>	<b>769,034</b>	<b>807,544</b>	<b>851,088</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,390</b>	<b>52,694</b>	<b>119,957</b>	<b>185,288</b>

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,391</b>	<b>4,390</b>	<b>52,694</b>	<b>119,957</b>	<b>185,288</b>



## 2.13 OTHER SUPPORTING DOCUMENTS

Table 20 - MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>REVENUE ITEMS:</b>											
<u>Property rates</u>	6										
Total Property Rates		40,351	39,807	43,660	49,495	66,795	66,795	66,795	69,801	73,012	76,370
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>											
<b>Net Property Rates</b>		<b>40,351</b>	<b>39,807</b>	<b>43,660</b>	<b>49,495</b>	<b>66,795</b>	<b>66,795</b>	<b>66,795</b>	<b>69,801</b>	<b>73,012</b>	<b>76,370</b>
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		121,224	107,887	125,406	156,981	161,981	161,981	161,981	170,553	178,458	186,718
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		—	—	—	—	—	—		1,283	1,402	1,517
<b>Net Service charges - electricity revenue</b>		<b>121,224</b>	<b>107,887</b>	<b>125,406</b>	<b>156,981</b>	<b>161,981</b>	<b>161,981</b>	<b>161,981</b>	<b>169,270</b>	<b>177,057</b>	<b>185,201</b>
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		23,561	19,989	22,757	26,343	28,843	28,843	28,843	32,963	34,611	36,314
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>											
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		—	—	—	—	—	—		2,822	3,083	3,336
<b>Net Service charges - water revenue</b>		<b>23,561</b>	<b>19,989</b>	<b>22,757</b>	<b>26,343</b>	<b>28,843</b>	<b>28,843</b>	<b>28,843</b>	<b>30,141</b>	<b>31,527</b>	<b>32,978</b>
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		9,153	9,440	9,873	17,866	20,366	20,366	20,366	21,282	22,261	23,285
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		—	—	—	—	—	—		—	—	—
<b>Net Service charges - sanitation revenue</b>		<b>9,153</b>	<b>9,440</b>	<b>9,873</b>	<b>17,866</b>	<b>20,366</b>	<b>20,366</b>	<b>20,366</b>	<b>21,282</b>	<b>22,261</b>	<b>23,285</b>
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		9,989	10,745	11,369	11,975	14,975	14,975	14,975	15,649	16,369	17,122
Total landfill revenue											
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>											

**MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET**

<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>		–	–	–	–	–	–	–	–	–	–
<b>Net Service charges - refuse revenue</b>		<b>9,989</b>	<b>10,745</b>	<b>11,369</b>	<b>11,975</b>	<b>14,975</b>	<b>14,975</b>	<b>14,975</b>	<b>15,649</b>	<b>16,369</b>	<b>17,122</b>
<b><u>Other Revenue by source</u></b>											
<i>Fuel Levy</i>											
<i>Other Revenue</i>					39,252	44,054	44,054	44,054	46,049	48,167	50,383
<b>Total 'Other' Revenue</b>	<b>1</b>	<b>24,664</b>	<b>28,446</b>	<b>–</b>	<b>39,252</b>	<b>44,054</b>	<b>44,054</b>	<b>44,054</b>	<b>46,049</b>	<b>48,167</b>	<b>50,383</b>
<b>EXPENDITURE ITEMS:</b>											
<b><u>Employee related costs</u></b>											
Basic Salaries and Wages	2	148,774	162,048	173,454	186,258	188,811	188,811	188,811	137,695	148,374	158,468
Pension and UIF Contributions									25,652	26,429	28,278
Medical Aid Contributions									7,509	8,034	8,596
Overtime									11,923	12,759	13,651
Performance Bonus											
Motor Vehicle Allowance									10,035	10,791	11,874
Cellphone Allowance									24	26	28
Housing Allowances									3,232	3,458	3,700
Other benefits and allowances											
Payments in lieu of leave									2,207	2,361	2,526
Long service awards									796	852	911
Post-retirement benefit obligations	4										
<b>sub-total</b>	<b>5</b>	<b>148,774</b>	<b>162,048</b>	<b>173,454</b>	<b>186,258</b>	<b>188,811</b>	<b>188,811</b>	<b>188,811</b>	<b>199,074</b>	<b>213,084</b>	<b>228,032</b>
<b>Less: Employees costs capitalised to PPE</b>											
<b>Total Employee related costs</b>	<b>1</b>	<b>148,774</b>	<b>162,048</b>	<b>173,454</b>	<b>186,258</b>	<b>188,811</b>	<b>188,811</b>	<b>188,811</b>	<b>199,074</b>	<b>213,084</b>	<b>228,032</b>
<b><u>Depreciation &amp; asset impairment</u></b>											
Depreciation of Property, Plant & Equipment		202,026	202,624		76,854	137,039	137,039	137,039	141,143	147,635	154,722
Lease amortisation											
Capital asset impairment											
<b>Total Depreciation &amp; asset impairment</b>	<b>1</b>	<b>202,026</b>	<b>202,624</b>	<b>–</b>	<b>76,854</b>	<b>137,039</b>	<b>137,039</b>	<b>137,039</b>	<b>141,143</b>	<b>147,635</b>	<b>154,722</b>
<b><u>Bulk purchases</u></b>											
Electricity Bulk Purchases		115,583	122,429	129,753	148,814	164,000	164,000	164,000	160,000	167,360	175,393
Water Bulk Purchases						1,590	1,590	1,590	5,000	5,230	5,481
<b>Total bulk purchases</b>	<b>1</b>	<b>115,583</b>	<b>122,429</b>	<b>129,753</b>	<b>148,814</b>	<b>165,590</b>	<b>165,590</b>	<b>165,590</b>	<b>165,000</b>	<b>172,590</b>	<b>180,874</b>
<b><u>Transfers and grants</u></b>											
Cash transfers and grants		6,676	5,473	3,473	0	11,172	11,172	12,284	11,835	10,651	11,347
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
<b>Total transfers and grants</b>	<b>1</b>	<b>6,676</b>	<b>5,473</b>	<b>3,473</b>	<b>0</b>	<b>11,172</b>	<b>11,172</b>	<b>12,284</b>	<b>11,835</b>	<b>10,651</b>	<b>11,347</b>
<b><u>Contracted services</u></b>											

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

<i>Outsourced Services</i>		37,340	46,559	113,375	50,049	48,749	48,749	48,749	51,556	53,928	56,516
<i>Consultants and Professional Services</i>											
<i>Contractors</i>											
<b>Total contracted services</b>		<b>37,340</b>	<b>46,559</b>	<b>113,375</b>	<b>50,049</b>	<b>48,749</b>	<b>48,749</b>	<b>48,749</b>	<b>51,556</b>	<b>53,928</b>	<b>56,516</b>
<b><u>Other Expenditure By Type</u></b>	-										
Collection costs											
Contributions to 'other' provisions											
Audit fees									7,231	7,564	7,927
<i>Other Expenditure</i>		65,593	91,627	85,154	57,032	69,873	69,873	69,873	66,470	69,530	72,930
<b>Total 'Other' Expenditure</b>	1	<b>65,593</b>	<b>91,627</b>	<b>85,154</b>	<b>57,032</b>	<b>69,873</b>	<b>69,873</b>	<b>69,873</b>	<b>73,701</b>	<b>77,094</b>	<b>80,857</b>
<b>Repairs and Maintenance by Expenditure Item</b>	8										
Employee related costs											
Other materials				-	14,699	14,319	14,319	14,319	14,598	15,269	16,002
Contracted Services											
Other Expenditure											
<b>Total Repairs and Maintenance Expenditure</b>	9	-	-	-	14,699	14,319	14,319	14,319	14,598	15,269	16,002

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

**Table 21 - MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)**

Description	Ref	Vote 1 - EXECUTIVE COUNCIL	Vote 2 - BUDGET & TREASURY OFFICE	Vote 3 - CORPORATE SERVICES	Vote 4 - PLANNING & DEVELOPMENT	Vote 5 - COMMUNITY SERVICES	Vote 6 - TECHNICAL SERVICES	Vote 7 - AFFORESTATION	Total
<b>R thousand</b>	1								
<b>Revenue By Source</b>									
Property rates Service charges - electricity revenue			69,801				169,270		69,801
Service charges - water revenue							30,141		169,270
Service charges - sanitation revenue							21,282		30,141
Service charges - refuse revenue						15,649			21,282
Rental of facilities and equipment				3,239					15,649
Interest earned - external investments			832						3,239
Interest earned - outstanding debtors			34,952						832
Dividends received			-						34,952
Fines, penalties and forfeits						2,345			-
Licences and permits							139		2,345
Agency services		-							139
Other revenue		46,049							-
Transfers and subsidies		265,880							46,049
Gains			6,793						265,880
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>311,929</b>	<b>112,378</b>	<b>3,239</b>	<b>-</b>	<b>17,994</b>	<b>220,832</b>	<b>-</b>	<b>666,372</b>
<b>Expenditure By Type</b>	-								
Employee related costs			199,074						199,074
Remuneration of councillors		18,755							18,755
Debt impairment			84,000						84,000
Depreciation & asset impairment			141,143						141,143
Finance charges			9,405						9,405
Bulk purchases							165,000		165,000
Other materials							14,565		14,565
Contracted services							51,556		51,556

# MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET

Transfers and subsidies			11,835					11,835
Other expenditure		73,701						73,701
Losses								-
<b>Total Expenditure</b>		<b>92,456</b>	<b>445,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,121</b>	<b>769,034</b>
<b>Surplus/(Deficit)</b>		<b>219,473</b>	<b>(333,079)</b>	<b>3,239</b>	<b>-</b>	<b>17,994</b>	<b>(10,289)</b>	<b>(102,662)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			155,356					155,356
Transfers and subsidies - capital (in-kind - all)								-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>219,473</b>	<b>(177,723)</b>	<b>3,239</b>	<b>-</b>	<b>17,994</b>	<b>(10,289)</b>	<b>52,694</b>

**MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET**

**Table 22 - MP303 Mkhondo - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>											
<b>ASSETS</b>											
<u><b>Consumer debtors</b></u>											
Consumer debtors				39,550	41,693	398,618	398,618	398,618	398,618	416,555	435,300
<u>Less: Provision for debt impairment</u>					–	(359,067)	(359,067)	–	(359,067)	(359,067)	(359,067)
<b>Total Consumer debtors</b>	2	<b>37,277</b>	<b>41,693</b>	<b>39,550</b>	<b>41,693</b>	<b>39,550</b>	<b>39,550</b>	<b>398,618</b>	<b>39,550</b>	<b>57,488</b>	<b>76,233</b>
<u><b>Debt impairment provision</b></u>											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
<b>Balance at end of year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<u><b>Property, plant and equipment (PPE)</b></u>											
PPE at cost/valuation (excl. finance leases)		1,601,489	1,547,017	1,612,252	1,655,879	1,655,879	1,655,879	1,655,879	1,612,252	1,684,803	1,760,619
Leases recognised as PPE	3										
<u>Less: Accumulated depreciation</u>											
<b>Total Property, plant and equipment (PPE)</b>	2	<b>1,601,489</b>	<b>1,547,017</b>	<b>1,612,252</b>	<b>1,672,961</b>	<b>1,655,879</b>	<b>1,655,879</b>	<b>1,655,879</b>	<b>1,612,252</b>	<b>1,684,803</b>	<b>1,760,619</b>
<b>LIABILITIES</b>											
<u><b>Current liabilities - Borrowing</b></u>											
Short term loans (other than bank overdraft)				5,000					–		
Current portion of long-term liabilities									–		
<b>Total Current liabilities - Borrowing</b>		<b>7,297</b>	<b>10,000</b>	<b>5,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<u><b>Trade and other payables</b></u>											
Trade Payables	5			324,293	38,098	37,546	37,546	37,546	32,155	33,602	35,114
Other creditors									29,004	30,338	31,734
Unspent conditional transfers					552						
VAT											
<b>Total Trade and other payables</b>	2	<b>212,496</b>	<b>282,039</b>	<b>324,293</b>	<b>38,650</b>	<b>37,546</b>	<b>37,546</b>	<b>37,546</b>	<b>61,159</b>	<b>63,940</b>	<b>66,848</b>
<u><b>Non current liabilities - Borrowing</b></u>											
Borrowing	4			4,999					–		
Finance leases (including PPP asset element)									–		
<b>Total Non current liabilities - Borrowing</b>		<b>–</b>	<b>–</b>	<b>4,999</b>	<b>43,120</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**MKHONDO LOCAL MUNICIPALITY 2020/21 DRAFT MTREF BUDGET**

<b>Provisions - non-current</b>											
Retirement benefits				48,872					-		
Refuse landfill site rehabilitation									-		
Other									-		
<b>Total Provisions - non-current</b>		<b>35,108</b>	<b>43,120</b>	<b>48,872</b>	<b>21,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance									1,628,638	1,653,193	1,683,821
GRAP adjustments											
Restated balance		-	-	-	-	-	-	-	1,628,638	1,653,193	1,683,821
Surplus/(Deficit)		(140,724)	(152,836)	(98,266)	99,891	30,900	30,900	(31)	52,694	119,957	185,278
Transfers to/from Reserves											
Depreciation offsets											
Other adjustments											
<b>Accumulated Surplus/(Deficit)</b>	1	<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>1,681,332</b>	<b>1,773,150</b>	<b>1,869,099</b>
<b>Reserves</b>	-										
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
<b>Total Reserves</b>	2	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>(140,724)</b>	<b>(152,836)</b>	<b>(98,266)</b>	<b>99,891</b>	<b>30,900</b>	<b>30,900</b>	<b>(31)</b>	<b>1,681,332</b>	<b>1,773,150</b>	<b>1,869,099</b>

## 2.14 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### ➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports to both National and Provincial Treasury.

### ➤ Internship programme

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 30 interns in the past few years through this programme. Some of the previous FM interns have since been appointed they have progressively achieved promotions with mostly in the Accountant positions within financial services.

Financial Management Grant (FMG) has been a successful capacity building programme wherein five interns were appointed and undergone a minimum competency programme within the Office of the Chief Financial Officer. Interns are appointed as and when their internship contract fall due to be completed as when their contract ellapses, therefore additional FM intern will be appointed towards this capacity programme that is aimed at skilling finance staff in financial management.

### ➤ Budget & Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, with all the senior manager fully appointed and their staff personnel fully placed, together with the assistance of five (5) Financial Management interns rotating within the Revenue, Expenditure, Supply Chain Management (SCM), Budget and ICT.

### ➤ Audit Committee

An Audit Committee members are fully qualified and functional with scheduled sittings through office of the MM and the Internal Audit Unit. The audit committee report is discussed and recommendation effectively implemented by management of the municipality.

### ➤ Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements and, it has been submitted timeously within reporting timelines to National, Provincial treasury and other relevant stakeholders.

### ➤ Policies

A list of all budget related policies will be approved during the 2020/21 MTREF by Council by the 30 May 2020, a list of all approved policies have been included as annexure.



## 2.15 Municipal Manager's Quality Certificate

I \_\_\_\_\_, Municipal Manager of Mkhondo Local Municipality, hereby certify that the 2020/21 Draft Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2020/21 Draft Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

**Municipal Manager of Mkhondo Local Municipality (MP303)**

Signature \_\_\_\_\_

Date \_\_\_\_\_